

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512



May 17, 2001

Mr. Neal Parece
Project Director
Constellation Power Source Generation, Inc.
111 Marketplace, Suite 200
Baltimore, MD 21202

SUBJECT: Approval of Request to Change High Desert Power Project Condition of Certification AQ-33 to Require Surrender of ERCs Prior to Commercial Operation (97-AFC-1C)

Dear Mr. Parece:

California Energy Commission staff have reviewed your request, dated May 4, 2001, to change the requirement in condition AQ-33 of the High Desert Power Project (HDPP) Commission Decision to surrender the emission reduction credits (ERCs) to the Mojave Desert Air Quality Management District (AQMD) prior to the start of construction. You have requested that the condition be changed to require the surrender of ERC's prior to the start of project operation. Your reasons for this request are that first, the ERC's are not needed until the project begins operating, because until then there are no emissions to offset. Second, requiring you to surrender the offsets prior to construction removes your ability to substitute other acceptable ERCs prior to operation that might be preferable over the current ERC's that High Desert Power Project, LLC controls. The approved change to condition AQ-33 is limited strictly to the timing of the surrender of the ERCs, and not to any change in the ERCs which have already been reviewed and approved. Any change to the offset package and associated ERCs which have been identified and approved must be submitted to the CPM for review and approval prior to the surrender of any ERCs.

As directed by Governor's Executive Order D-25-01, concerning post-certification amendments, we have expedited review of this proposed project modification because statutes and implementing regulations that normally apply to review and approval of this amendment have been suspended. Energy Commission staff have concluded that this modification has no potential for adverse environmental or public health and safety impacts. Therefore, your request is approved.

The following is the revised language of Condition of Certification AQ-33 that specifies that the required HDPP ERC's must be surrendered to the Mojave Desert AQMD prior to the first firing of the combustion turbines (new wording shown double underlined, deleted wording shown with strikeout).

AQ-33. The project owner must surrender to the District sufficient valid Emission Reduction Credits for this equipment before the first firing of a combustion

~~turbine start of construction of any part of the project for which this equipment is intended to be used.~~ In accordance with Regulation XIII the operator shall obtain 267 tons of NO_x, 168 tons of VOC, and 234 tons of PM₁₀ offsets (VOC ERCs from SCAQMD may be used as VOC ERCs at a rate of 1:1 or may be substituted for NO_x ERCs at a rate of 1.6:1).

Verification: The project owner shall provide copies of all necessary ERC certificates to the CPM no later than thirty (30) days prior to first firing of a combustion turbine commencement of construction.

The Mojave Desert AQMD approved this change in their HDPP District permit as communicated in their letter of May 9, 2001.

A copy of this letter will be posted on the Energy's Commission web site at www.energy.ca.gov, and we will file a California Environmental Quality Act Notice of Exemption with the State Clearinghouse.

If you have any questions, please contact Steve Munro, Compliance Project Manager, at (916) 654-3936, or by e-mail at smunro@energy.state.ca.us.

Sincerely,

ROBERT L. THERKELSEN, Deputy Director
Systems Assessment and
Facilities Siting

cc: Mike Ringer
Alan De Salvio, Mojave Desert AQMD